

# Energy Situation Analysis Report

**Last Updated: July 18, 2002**

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## Latest Oil Market Developments

On the New York Mercantile Exchange (NYMEX), the West Texas Intermediate (WTI) futures crude oil price for August settled at \$27.57 per barrel on Thursday, July 18, down \$0.31 per barrel from the previous day, erasing some of the gains of the past few days. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

Although there was a large increase in U.S. crude oil imports, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) still fell by 2.0 million barrels last week, while motor gasoline inventories dropped by 1.5 million barrels. Total product supplied over the last four-week period has averaged 19.7 million barrels per day, or about 0.1% less than last year, slightly reversing a recent trend of positive year-over-year growth, but motor gasoline demand remains strong, averaging 1.8% above last year's level over the last four weeks. [more...](#)

## World Oil Market Highlights

According to third quarter 2002 estimates, the world holds about 5.8 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity. [more...](#)

## Latest U.S. Weekly Natural Gas Information

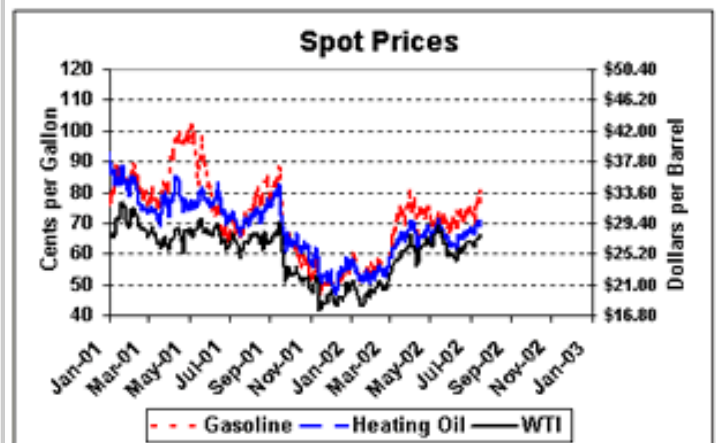
On Wednesday, July 17, the Federal Energy Regulatory Commission (FERC) approved the Kern River 2003 Expansion Project, which will provide additional infrastructure to Western markets. The pipeline expansion will cost \$1.2 billion and add over 885 million cubic feet per day of capacity to the Kern River system. [more...](#)

## Latest U.S. Coal Information

## Energy Prices\*

Petroleum Futures		7/17/02	7/16/02	Change
WTI (\$/Bbl)		27.88	27.75	+0.13
Gasoline (c/gallon)		84.84	84.84	+0.00
Heating Oil (c/gallon)		70.98	70.98	-0.99
Natural Gas (\$/MMBtu)				
Henry Hub		2.98	2.89	+0.09
California		2.76	2.69	+0.07
New York City		3.86	3.59	+0.27
Electricity (\$/Megawatthour)				
COB		26.75	13.63	+13.12
PJM West		57.79	57.72	+0.07
NEPOOL		45.50	46.64	-1.14
Average		40.95	37.74	+3.21

[\\*Definitions](#)

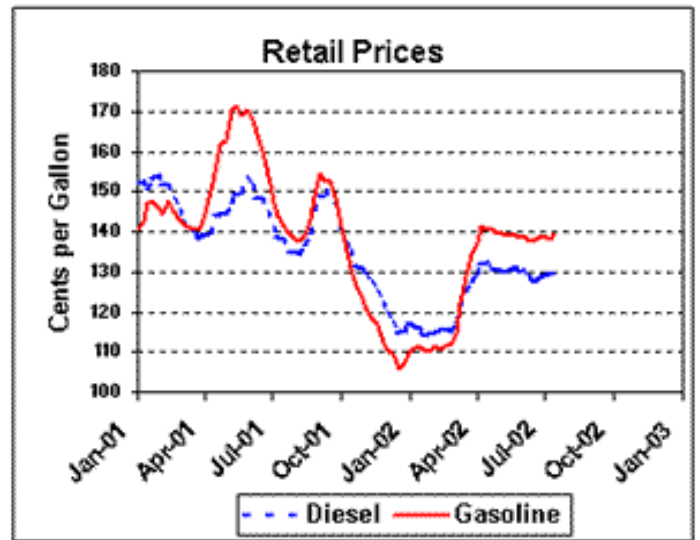


Source: Closing quote as reported by Reuters News Service

For the week ending July 13, rail car loadings of coal were up 4.4% while national [coal production](#) was 10.0% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.8% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.1% below last year's level. [more...](#)

### Latest U.S. Electricity Information

As a result of cooler weather in California, Western U.S. wholesale electricity prices continued declining for the past several days since peaking on July 9. However, this trend reversed itself on July 17 and spot prices increased at most trading hubs as wildfires in the region cut electricity flows into California by more than 3,750 megawatts. [more...](#)



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## Latest Oil Market Developments

(updated July 18, 2002)

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Other topics affecting **world oil markets** include:

- Sola Omole, Chevron Nigeria's General Manager for Government and Public Affairs, said that "110,000 barrels per day (of oil production) have been shut (in)" because of the occupation of four flowstations by groups of protesters. However, all export commitments for July were expected to be honored, and Chevron said it had reached a deal to end the siege at Escravos.
- Rilwanu Lukman, adviser to the Nigerian President on oil, raised the possibility that additional OPEC oil could be needed this year if oil prices begin to approach the upper end of OPEC's price band. "Prices are healthy now," he noted, but "if they start approaching the roof then we have to think seriously" about increasing production.
- Venezuelan President Hugo Chavez appointed Rafael Ramirez as Minister of Energy and Mines, replacing Alvaro Silva, who was appointed Secretary-general of OPEC last month. "The appointment of Ramirez will maintain current energy policy, particularly in terms of keeping strong links with OPEC on the international side," a ministry spokesman said.
- As of July 18, 2002, the U.S. Strategic Petroleum Reserve (SPR) contained 577.9 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.

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## Latest U.S. Weekly EIA Petroleum Information

(updated July 18, 2002)

### Refinery Inputs and Production

U.S. crude oil refinery inputs averaged 15.4 million barrels per day during the week ending July 12, down from the highest average so far this year set in the previous week. Slight decreases in PADD II (Midwest), PADD III (Gulf Coast), and PADD V (West Coast) were more than the small increase in PADD I (East Coast). Over the last four weeks, crude oil inputs have averaged 15.5 million barrels per day, or 70,000 barrels per day less than last year at this time. Total distillate fuel refinery production was down slightly, while motor gasoline production was up, with almost all of the increase in oxygenated gasoline. Jet fuel refinery production reached 1.6 million barrels per day, the highest level since before the attacks on September 11.

### Petroleum Imports

U.S. crude oil imports continued their up-and-down trend over the last several weeks, rising by over 700,000 barrels per day to average nearly 9.2 million barrels per day last week. During the most recent four weeks, crude oil imports have averaged 9.1 million barrels per day, or more than 200,000 barrels per day less than during the same four-week period last year. After averaging nearly 1.1 million barrels per day during the last two weeks in June, total motor gasoline imports (including both finished gasoline and gasoline blending components) have averaged about 640,000 barrels per day so far in July.

### Petroleum Inventories

Although there was a large increase in U.S. crude oil imports, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) still fell by 2.0 million barrels last week. However, even with this decline, they remain in the middle of the normal range for this time of year. Motor gasoline inventories dropped by 1.5 million barrels, and are now 3.2 million barrels below year-ago levels. Distillate fuel inventories, however, rose by 2.1 million barrels last week, with most of the increase in high-sulfur distillate fuel. Total commercial petroleum inventories are now 11.1 million barrels above year-ago levels.

### Petroleum Demand

Total product supplied over the last four-week period has averaged 19.7 million barrels per day, or about 0.1% less than last year, slightly reversing a recent trend of positive year-over-year growth. Motor gasoline demand has averaged 1.8% above last year's level over the last four weeks, while distillate fuel demand now is 0.5% above last year's level. Jet fuel demand over the last four weeks has been 7.4% less than during the same period a year ago.

### Crude Oil Spot Prices

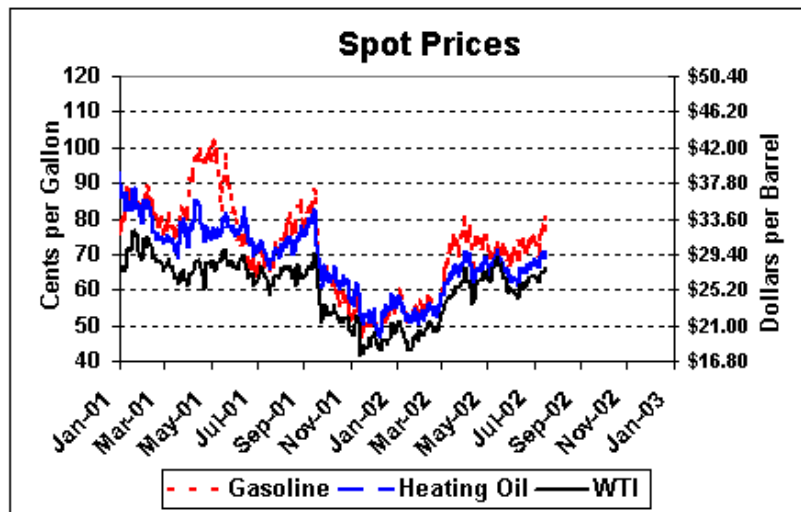
The average world crude oil price on July 12, 2002 was \$24.40 per barrel, up \$0.26 per barrel from the previous week and \$0.49 per barrel more than last year. WTI was \$27.48 per barrel on July 12, 2002, \$0.91 more per barrel than last year. The spot price for conventional gasoline in the New York Harbor was 78.20 cents per gallon, 10.07 cents per gallon higher than a year ago. The spot price for low sulfur diesel fuel in the New York Harbor was 70.82 cents per gallon, 0.89 cents more per gallon than last year.

### Retail Gasoline and Diesel Prices

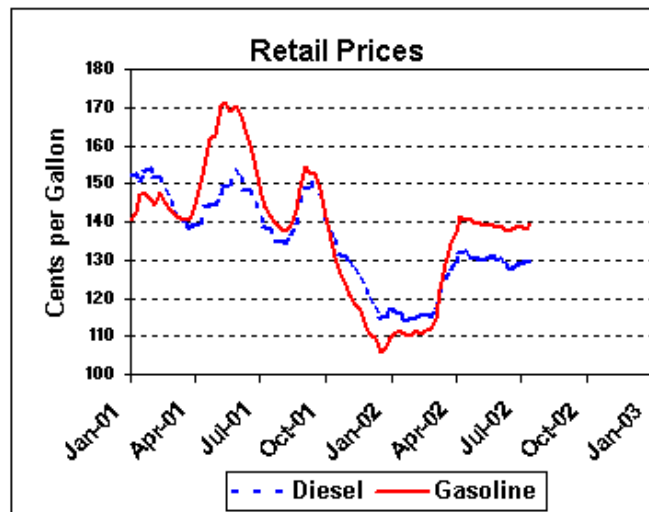
The U.S. average retail price for regular gasoline gained 1.2 cents per gallon last week, ending at 139.4 cents per gallon as of July 15. This price is 1.9 cents per gallon lower than last year. Price changes were mixed throughout the country, with the largest increase occurring in the Midwest, where prices rose 3.5 cents per gallon to end at 140.7 cents per gallon. Price increases were also seen on the East Coast and Gulf Coast. Prices dropped on the West Coast and in the Rocky Mountain region, with the largest decrease occurring in California, where prices fell 0.9 cent per gallon to end at 160.4 cents per gallon. Prices have remained relatively flat over the past few months, but there is still potential for price increases before Labor Day if we see a decrease in gasoline imports, steady or rising gasoline demand, or a decrease in refinery output. Retail diesel fuel prices increased by 0.6 cent per gallon to a national average of 130.0 cents per gallon as of July 15.

## U.S. Petroleum Prices

(updated July 18, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

## Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
5/30/2002	\$24.78	\$24.67	66.86	73.36	62.20	62.15	65.40	37.88	35.38	139.2	130.0
5/31/2002	\$25.37	\$25.31	68.50	73.83	63.00	62.97	66.20	38.13	35.38		
6/3/2002	\$25.10	\$25.08	68.87	74.64	62.77	63.50	65.82	38.07	35.13		
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32	137.5	128.6
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57		
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19	137.8	127.5
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50		
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63	138.4	128.1
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00		
6/25/2002	\$26.06	\$26.32	72.13	77.32	65.68	65.89	69.28	38.25	36.13		
6/26/2002	\$26.67	\$26.76	73.57	78.51	66.33	66.63	70.82	38.00	35.50		
6/27/2002	\$26.77	\$26.86	74.04	79.37	67.00	67.29	70.38	37.88	35.63	139.2	128.9
6/28/2002	\$26.79	\$26.86	73.82	79.38	67.50	67.96	70.88	37.63	35.50		
7/1/2002	\$26.79	\$26.81	74.82	79.19	67.60	68.02	70.93	37.38	35.76		
7/2/2002	\$26.83	\$26.77	74.07	78.98	67.98	68.71	71.28	37.13	35.75		
7/3/2002	\$26.82	\$26.80	73.63	78.60	68.38	68.77	71.82	37.01	35.19		
7/4/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	138.2	129.4
7/5/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
7/8/2002	\$26.14	\$26.07	69.60	76.14	66.15	66.80	69.65	36.19	34.38		
7/9/2002	\$26.16	\$26.09	71.63	76.96	66.40	67.05	69.50	36.25	34.44		
7/10/2002	\$26.73	\$26.77	74.30	78.99	67.70	68.67	70.70	36.94	34.88		
7/11/2002	\$27.01	\$26.83	75.53	79.83	68.90	69.01	71.85	36.50	34.63	139.4	130.0
7/12/2002	\$27.48	\$27.48	78.20	82.44	69.72	70.54	72.92	37.19	35.07		
7/15/2002	\$27.23	\$27.07	76.68	80.85	69.20	69.55	72.25	37.07	34.88		
7/16/2002	\$27.68	\$27.75	79.95	84.53	69.99	71.09	73.04	37.19	34.88		
7/17/2002	\$27.88	\$27.88	80.43	84.84	70.08	70.98	73.13	36.75	34.88		

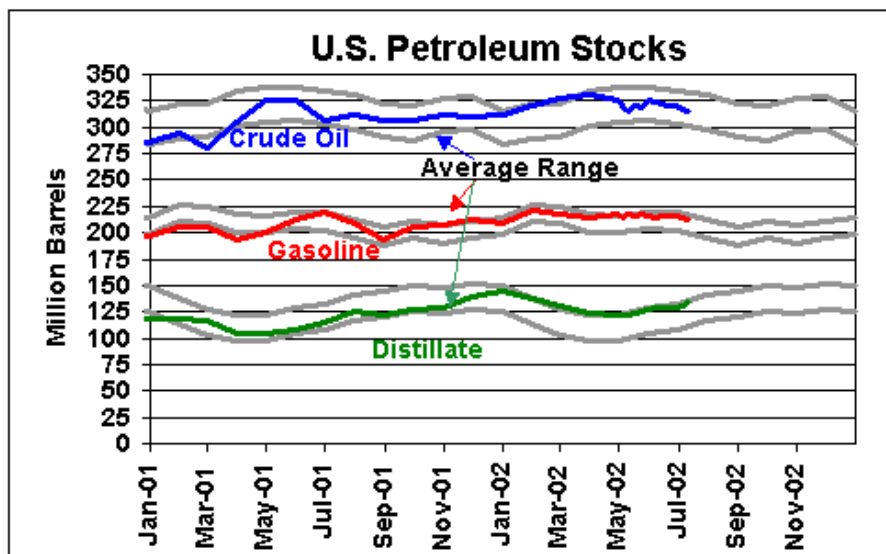
Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA



## Energy Situation Analysis Report

## U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	7/12/2002	7/12/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,470	15,540	-70	-0.5%
Operable Capacity	16,800	16,641	159	1.0%
Operable Capacity Utilization (%)	93.3%	94.9%	-1.6%	
<b>Production</b>				
Motor Gasoline	8,520	8,576	-56	-0.6%
Jet Fuel	1,528	1,635	-107	-6.6%
Distillate Fuel Oil	3,713	3,755	-42	-1.1%
<b>Imports</b>				
Crude Oil (incl. SPR)	9,050	9,281	-231	-2.5%
Motor Gasoline	862	796	66	8.3%
Jet Fuel	93	148	-55	-37.3%
Distillate Fuel Oil	227	265	-38	-14.5%
Total	11,323	11,743	-420	-3.6%
<b>Exports</b>				
Crude Oil	30	13	17	123.4%
Products	940	924	16	1.7%
Total	970	938	32	3.4%
<b>Products Supplied</b>				
Motor Gasoline	8,978	8,821	157	1.8%
Jet Fuel	1,626	1,756	-130	-7.4%
Distillate Fuel Oil	3,642	3,624	18	0.5%
Total	19,686	19,702	-16	-0.1%
<b>Stocks (Million Barrels)</b>				
	7/12/2002	7/12/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	315.0	309.9	5.1	1.6%
Motor Gasoline	213.2	216.4	-3.2	-1.5%
Jet Fuel	40.3	42.8	-2.5	-5.8%
Distillate Fuel Oil	133.5	117.9	15.6	13.2%
Total (excl. SPR)	1,032.6	1,021.5	11.1	1.1%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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## World Oil Market Highlights

(updated July 9, 2002)

According to third quarter 2002 estimates, the world holds about 5.8 million barrels per day of excess oil production capacity that could be brought online within 30 days, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

<b>Major Sources of U.S. Petroleum Imports, 2001*</b>			
(all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.83	1.36	0.47
<b>Saudi Arabia</b>	1.66	1.61	0.05
<b>Venezuela</b>	1.55	1.29	0.26
<b>Mexico</b>	1.44	1.39	0.05
<b>Nigeria</b>	0.89	0.84	0.04
<b>Iraq</b>	0.80	0.80	0.00
<b>Norway</b>	0.34	0.28	0.06
<b>Angola</b>	0.33	0.32	0.01
<b>United Kingdom</b>	0.32	0.24	0.08
<b>Total Imports</b>	11.87	9.33	2.54

\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

<b>Top World Oil Net Exporters, 2001*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00

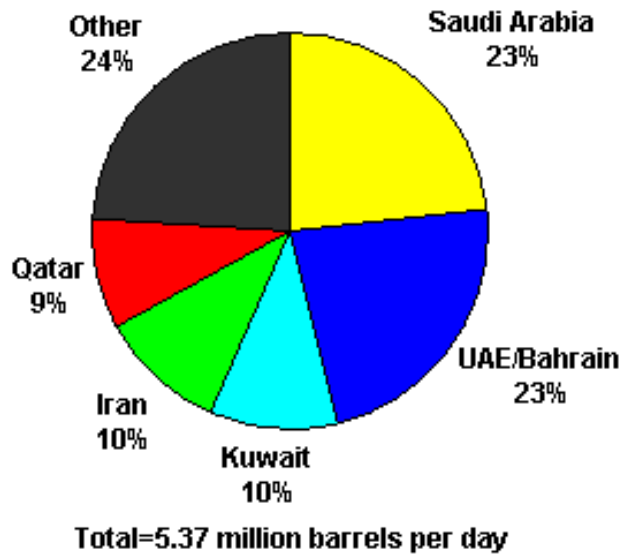
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

*\*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

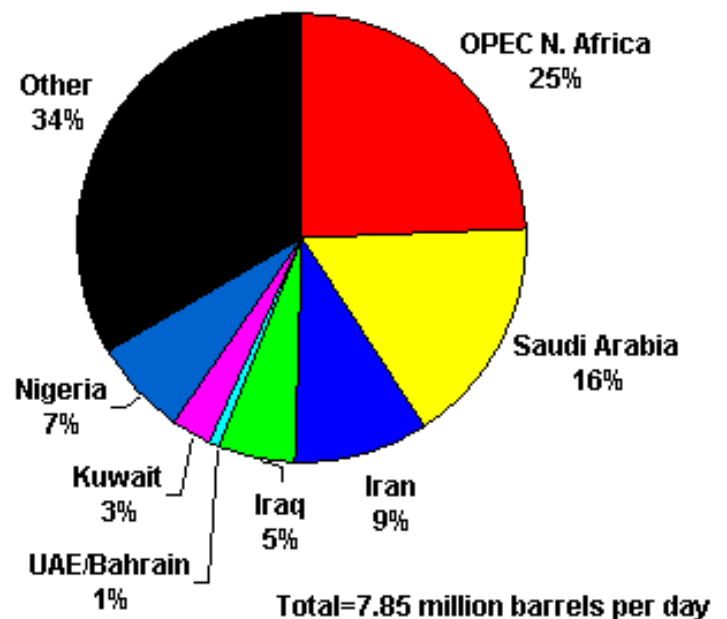
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country, 2001**



**OECD European Net Oil Imports by Country, 2001**



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## Latest U.S. Weekly Natural Gas Information

(updated July 18, 2002)

### Industry/Market Developments

FERC approves Kern River expansion: On Wednesday, July 17, the Federal Energy Regulatory Commission (FERC) approved the Kern River 2003 Expansion Project, which will provide additional infrastructure to Western markets. The pipeline expansion will cost \$1.2 billion and add over 885 million cubic feet per day of capacity to the Kern River system, bringing total system capacity to more than 1.7 billion cubic feet (Bcf) per day. The Kern River pipeline expansion will extend roughly 716 miles from Wyoming to California, running through Nevada and Utah. The pipeline, which is expected to come on line by May 2003, will utilize six existing compressor stations and three new compressor stations. FERC expects that the expanded pipeline will allow local distribution companies to meet peak needs and deliver natural gas to new electric generation plants. The pipeline is expected to serve approximately 30 percent of the new generation coming on line in southwestern California. Several supply basins will be interconnected by the project, which will facilitate transporting gas from suppliers to consumers in the West.

### Storage

Working natural gas in storage was 2,422 Bcf for the week ending July 12, 18% above the 5-year average, according to EIA's Weekly Natural Gas Storage Report. For the entire Lower 48 States, the implied net injection for the week was 69 Bcf, or about 13% below the 5-year average of 79 Bcf for the week.

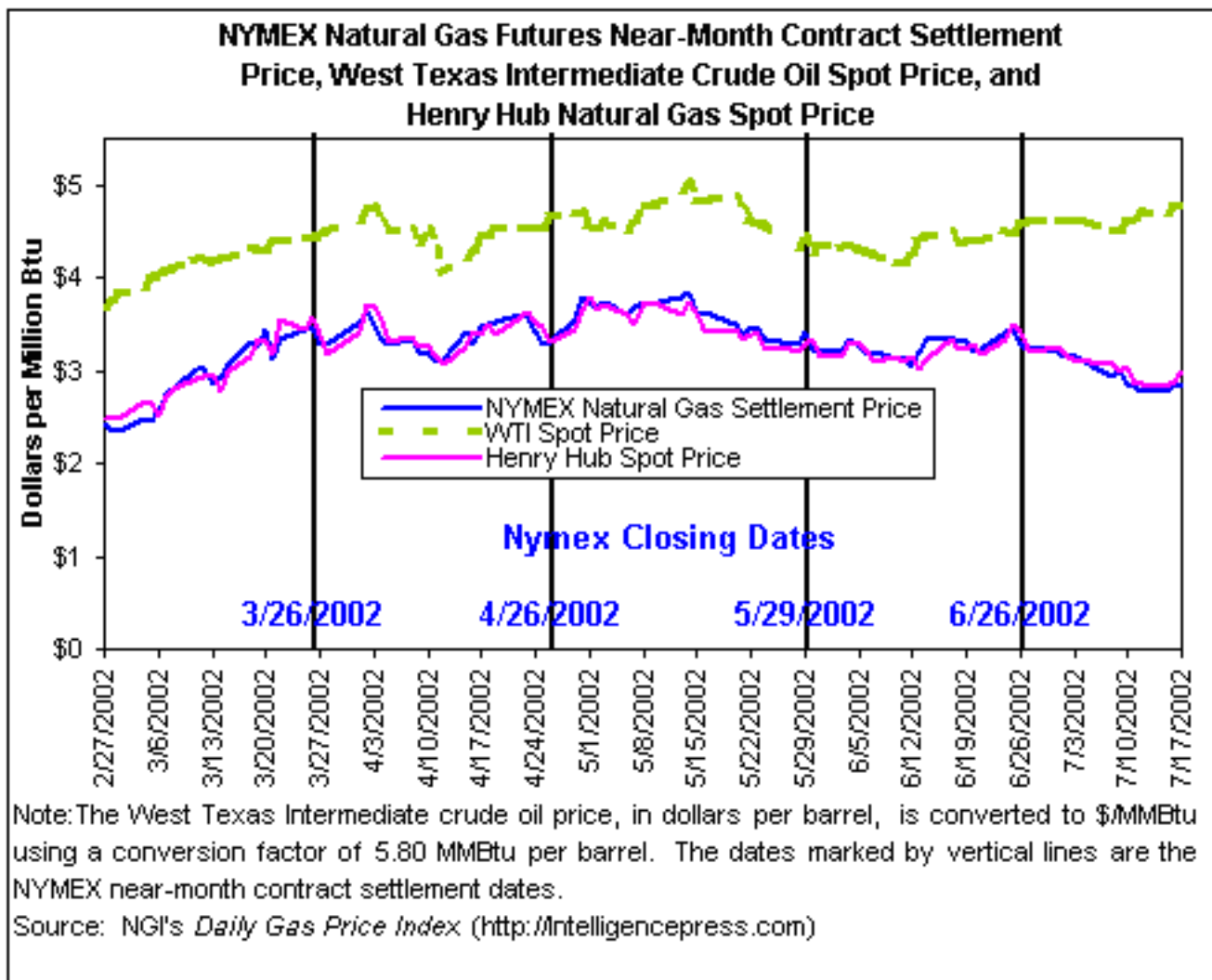
All Volumes in Bcf	Current Stocks 7/12/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Implied Net Change from Last Week	One- Week Prior Stocks 7/5/2002
East Region	1,296	1,169	10.9%	53	1,243
West Region	338	284	19.0%	9	329
Producing Region	788	603	30.7%	7	781
Total Lower 48	2,422	2,056	17.8%	69	2,353

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

### Prices:

Spot prices at trading locations along the Gulf Coast and in the Southwest have gained between 10 and 25 cents since Monday, July 15. After dropping to \$2.82 per million Btu (MMBtu) on Monday, the spot price at the Henry Hub increased 16 cents per MMBtu in the past two trading sessions to average \$2.98 per MMBtu on Wednesday, July 17. Prices in the Rockies and parts of the Northwest had been so low that a heat wave in the regions increased prices by up to 60 cents per MMBtu since Monday. However, prices there remain among the lowest in the country. The spot price at Opal, Wyoming, increased 28 cents per MMBtu or 22% to an average of \$1.56 per MMBtu on Wednesday. After dipping below the \$1-mark per MMBtu in early July, the spot price on Northwest Pipeline in Sumas, Washington, traded at an average of \$1.56 per MMBtu on Wednesday. The Northeast also was affected by hot temperatures with prices at many trading locations increasing by a quarter or more, with some notable exceptions. Prices at the New York citygate increased to \$3.86 per MMBtu yesterday, or about 68 cents per MMBtu above the average price on Monday.

At the NYMEX, the price of the futures contract for August delivery at the Henry Hub settled at \$2.841 per MMBtu on Wednesday, June 17, a decline of \$0.022 per MMBtu for the day. The price of the August contract is down 28% from its recent high point of \$3.948 per MMBtu recorded on May 14. The January 2003 futures contract closed at \$3.706 per MMBtu on Wednesday. The spread between the August and January 2003 contracts remains substantial. In trading early this week, the spread was as high as \$0.92 per MMBtu, with a difference of \$0.87 per MMBtu yesterday (July 17).





<b>Trade Date (All prices in \$ per MMBtu)</b>	<b>California Composite Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>	<b>NYMEX futures contract-August delivery</b>	<b>NYMEX futures contract-September delivery</b>
6/18/2002	2.69	3.23	3.52	3.19	3.385	3.412
6/19/2002	2.76	3.23	3.53	3.20	3.387	3.417
6/20/2002	2.91	3.29	3.66	3.29	3.276	3.307
6/21/2002	2.72	3.17	3.51	3.17	3.294	3.324
6/24/2002	2.99	3.33	3.80	3.34	3.480	3.501
6/25/2002	2.99	3.49	4.15	3.53	3.495	3.515
6/26/2002	2.85	3.42	4.01	3.42	3.353	3.373
6/27/2002	2.56	3.23	3.61	3.21	3.236	3.266
6/28/2002	2.58	3.20	3.69	3.20	3.245	3.273
7/1/2002	2.66	3.27	3.95	3.27	3.192	3.220
7/2/2002	2.37	3.17	4.16	3.18	3.145	3.177
7/3/2002	2.13	3.10	3.64	3.07	3.142	3.174
7/8/2002	2.71	3.06	3.73	3.00	2.939	2.982
7/9/2002	2.85	2.98	3.35	2.90	2.991	3.029
7/10/2002	2.88	3.04	3.31	2.98	2.864	2.902
7/11/2002	2.62	2.85	3.10	2.79	2.830	2.869
7/12/2002	2.47	2.86	3.11	2.78	2.787	2.830
7/15/2002	2.57	2.82	3.18	2.78	2.784	2.825
7/16/2002	2.69	2.89	3.59	2.88	2.863	2.892
7/17/2002	2.76	2.98	3.86	2.97	2.841	2.862

\* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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## Definitions

### Petroleum

**WTI** – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

**Bbl** – Barrel (42 gallons).

**C's** – cents.

### Natural Gas

**Henry Hub** – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

### Electricity

**COB** – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

**Palo Verde** - average price of electricity traded at Palo Verde and West Wing Arizona.

**Average** - average price of electricity traded at all locations.

## Latest U.S. Coal Information

(updated July 18, 2002)

### Coal Production

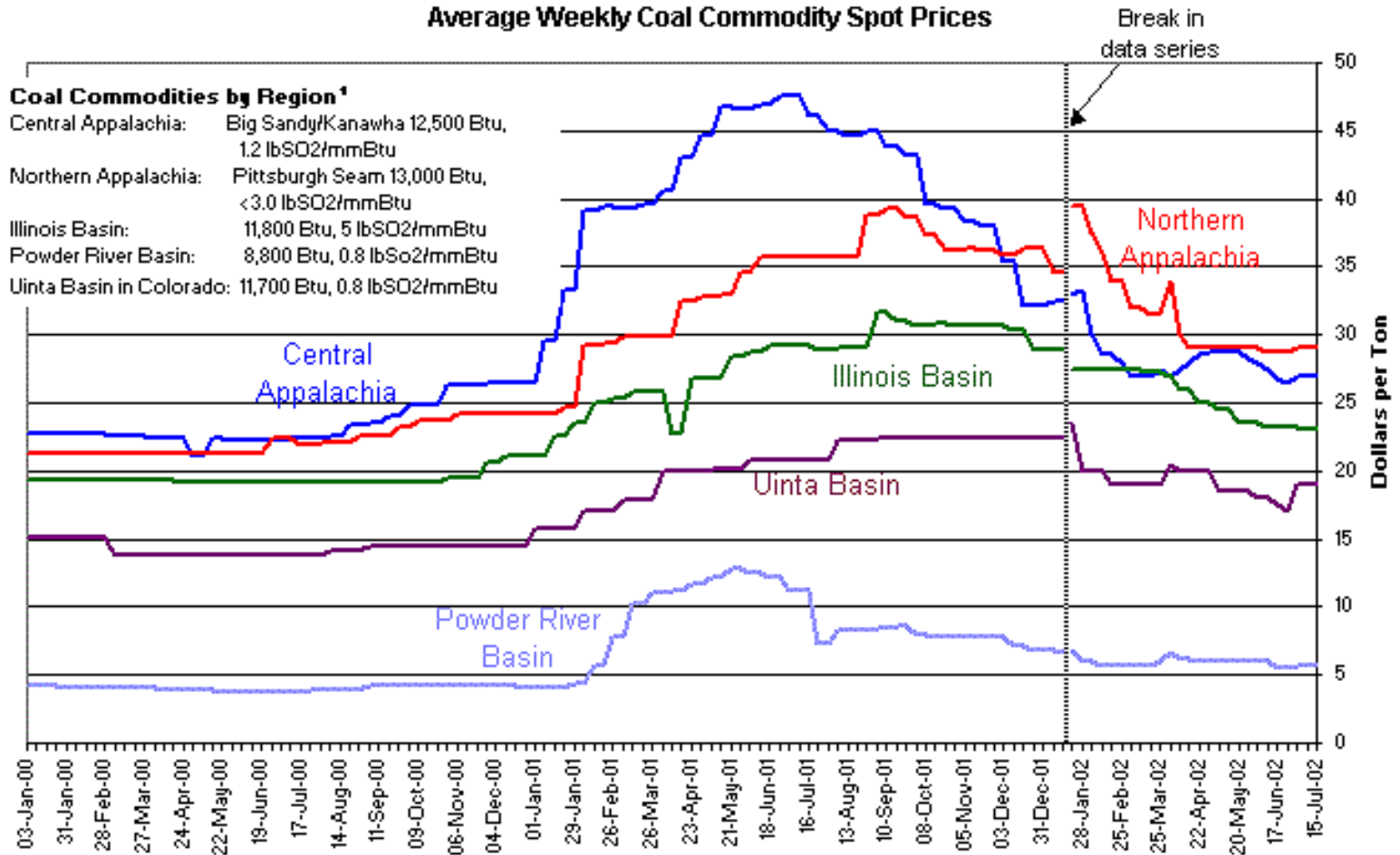
For the week ending July 13, rail car loadings of coal were up 4.4% while national [coal production](#) was 10.0% lower, compared to year-ago levels. Year-to-date, western U.S. coal production is 1.8% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.1% below last year's level. The estimated production for the first six months of 2002 was 540.4 million short tons (mst), 3.8% lower than the 561.9 mst in the first six months of 2001. Lower production at this time results from large coal stockpiles at mines and at consuming facilities due to slowed economic activity and an extended spring period of low seasonal demand at many electric power plants. Weekly coal production volumes are down more (in absolute terms) than are weekly rail car loadings. This reflects a rundown occurring now in producer and distributor stockpiles. In the first and second quarters of 2002, coal production exceeded coal use and consequently stockpiles built up much above planned levels. The stock rundown (and its dampening impact on production) will continue until coal stockpiles attain normal levels. It appears that there is about a 30 million ton overhang in the supply chain, so it may take several months of curtailed production to reduce the excess producer and distributor stocks.

### Coal Prices

Over the past 3 weeks, four of the five U.S. coal spot price indexes tracked by EIA (graph below) have maintained increased average prices following a long period of slowly downward trends. Prices for the fifth regional coal (Illinois Basin) receded by 25 cents per short ton two weeks ago and then began to hold steady. Both buyers and sellers of coal are trying to determine whether a price floor for new coal purchases has been reached. Relatively few buyers are in the market, though, as most electric power generators have more than enough coal on hand for anticipated remaining summer consumption. They are now burning from larger-than-usual coal stockpiles following mild and extended spring weather in much of the country. Large coal suppliers accumulated unsold inventories during the first 3 to 5 months of 2002, and firmed-up prices may result from their idling of numerous mines recently in order to preclude a long-term glut of coal in the market.

Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen (by about \$21.00 and \$10.00 per short ton, respectively). The latest indexed spot prices, \$27.00 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 21% and 36% above prices in the summer of 2000, prior to the rapid escalation in 2001. Other prices are also running higher than the summer 2000 baseline: by 38% for the Uinta Basin, 20% for the Illinois Basin, and 53% for the Powder River Basin.

## Average Weekly Coal Commodity Spot Prices



<sup>1</sup>Prior to January 14, 2002, EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt" quarter. The "prompt quarter" is the next calendar quarter, with quarters shifting forward after the 15th of the month preceding each quarter's end.

Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

Trading volumes during the week of the July 4 holiday were very low, with only five transactions during the week, which settled at \$27.50 per short ton. Since then, prices have continued to rise slowly—reaching \$27.80 per short ton on July 12 and \$28.25 per short ton on July 15, but with no takers on the 12th and only 15 contracts settled on the 15th.

### Coal Mining Legal Issues

Two legal rulings earlier this year that relate to coal mining practices have gained much attention and have the potential to lessen future productive capacity. The near-term effect of a March 28, 2002, ruling by U.S. District Judge James Robertson would be to halt mining that causes subsidence at the ground surface. This ruling could adversely affect future "longwall" mining, which is an important and efficient means to mine large volumes from deep-seated coal deposits. U.S. District Judge Charles H. Haden issued a far-reaching ruling on May 8, 2002, which prohibits further permitting of "valley fills" in surface mining operations. This ruling would be especially limiting to the "mountaintop removal" method of large-scale coal mining that is widely used in West Virginia to lower mining costs and produce competitively priced coal, including some low-sulfur coals. Both rulings are under appeal.

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## Latest U.S. Electricity Information

(updated July 18, 2002)

**Selected Wholesale Electricity Prices:** As a result of cooler weather in California, Western U.S. wholesale electricity prices continued declining for the past several days since peaking on July 9. However, this trend reversed itself on July 17 and spot prices increased at most trading hubs as wildfires in the region cut electricity flows into California by more than 3,750 megawatts. Prices at COB increased from \$13.63 per megawatthour to \$26.75 per megawatthour, an increase of over 96%. Prices at Palo Verde increased from \$35.81 per megawatthour to \$39.55 per megawatthour. Prices in the Northwest, however, did not register a corresponding increase.

Another noteworthy development that occurred yesterday was the adoption by the Federal Energy Regulatory Commission of a mitigation plan for Western Power Markets to facilitate the development of a robust, competitive market in the West. One provision will raise the bid cap beginning October 1 to \$250 per megawatthour from the current cap of \$91.87 per megawatthour. The impact of this provision has not yet been absorbed by the market.

Prices at the Cinergy Trading Center have been mixed over the past seven days. Prices at Cinergy have ranged between a high of \$40.25 per megawatthour on July 16 to a low of \$19.44 per megawatthour on July 11. Changing weather patterns as well as increased supplies account for this mixed pattern.

Prices in the Northeast region have been increasing over the last seven-day period as warm weather has set in over the region over the past several days. Prices at the New York Zone J, New York City, have increased 80% from a low of \$46.00 per megawatthour on July 11 to a high of \$82.70 per megawatthour on July 17. Prices at the PJM West trading zone have increased 118% from a low of \$26.53 per megawatthour on July 11 to a high of \$57.79 per megawatthour on July 17.

Over the past seven days, the average price at all trading centers has ranged between \$35.76 per megawatthour and \$52.46 per megawatthour.

### California ISO Emergency Declarations

1. First Stage One Electrical Emergency issued July 9
2. Second Stage One Electrical Emergency and First Stage Two Electricity Emergency issued July 10

The California ISO has called for conservation to avoid future Stage One Emergencies. No blackouts are expected.

A Stage One Emergency is declared when operating reserves fall below 7 percent. Consumers are asked to lessen the strain on the state's power grid by conserving electricity, especially during afternoon hours. A Stage Two Emergency is declared when reserves drop below 5 percent. At this level, large commercial customers that have signed up to voluntarily curtail power during high demand days will be asked to do so. A Stage Three Emergency is declared if an operating reserve shortfall of less than one-and-one-half percent is unavoidable. Involuntary curtailments of service to customers including "rolling blackouts" are possible.

# U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	7/9/02	7/10/02	7/11/02	7/12/02	7/15/02	7/16/02	7/17/02	Max	Min	Average
COB	39.83	33.81	30.81	22.83	15.33	13.63	26.75	39.83	13.63	27.08
Palo Verde	70.48	57.09	56.83	46.95	37.14	35.81	39.55	70.48	35.81	52.68
Mid-Columbia	17.58	14.56	11.81	8.93	5.90	5.31	5.25	17.58	5.25	11.63
Mead/Marketplace	87.11	57.10	55.25	53.40	42.05	39.46	45.46	87.11	39.46	58.68
4 Corners	70.80	57.10	55.25	46.50	37.14	37.25	42.63	70.80	37.14	53.29
NP 15	64.38	57.10	55.25	36.00	30.25	28.13	33.42	64.38	28.13	47.20
SP 15	68.48	57.09	49.14	38.87	32.52	32.42	36.97	68.48	32.42	48.84
PJM West	34.07	29.53	26.53	45.60	47.23	57.72	57.79	57.79	26.53	40.87
NEPOOL	33.38	32.50	31.00	43.65	42.25	46.64	45.50	46.64	31.00	39.02
New York Zone J	62.00	48.20	46.00	70.50	65.33	78.50	82.70	82.70	46.00	64.36
Cinergy	28.95	26.50	19.44	35.40	38.18	40.25	34.41	40.25	19.44	30.64
Average Price	52.46	42.78	39.76	40.78	35.76	37.74	40.95	52.46	35.76	43.12

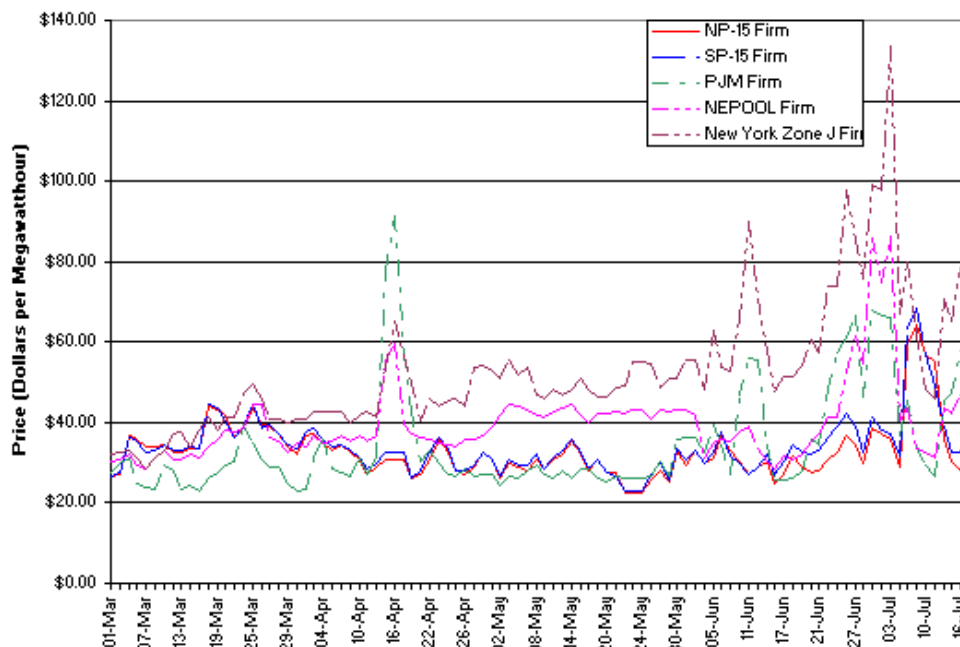
**Sources:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. ([www.bloomberg.com](http://www.bloomberg.com)).

## Notes:

n.q. - No quotes available for the day.

**COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.  
**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.  
**Mid-Columbia:** Average price of electricity traded at Mid-Columbia.  
**Mead/Market Place:** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.  
**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.  
**NP-15:** Average price of electricity traded at NP-15.  
**SP-15:** Average price of electricity traded at SP-15.  
**PJM-West:** Average price of electricity traded at PJM Western hub.  
**NEPOOL:** Average price of electricity traded at Nepool.  
**New York Zone J:** Average price of electricity traded at the New York Zone J - New York City.  
**Cinergy:** Average price of electricity traded into the Cinergy control area.

## Average Wholesale Electricity Prices in the U.S.





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